

**HOUSE BUDGET REPORT
HB 380/GA**

2006 SESSION OF THE GENERAL ASSEMBLY

**HB 380/HCS
ADDENDUM**

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**Legislative Research Commission
Office of Budget Review**

March 13, 2006

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HOUSE BUDGET REPORT
2006 REGULAR SESSION OF THE GENERAL ASSEMBLY
GENERAL FUND BUDGET SUMMARY

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	FY 2004-2005	FY 2005-2006			FY 2006-2007			FY 2007-2008		
	Actual	Branch	House	Difference	Branch	House	Difference	Branch	House	Difference
RESOURCES										
Undesignated Balance	249,475,000	468,879,400	468,879,400		527,915,500	518,512,800	(9,402,700)	285,240,300	376,367,400	91,127,100
Continued Appropriations Reserve										
Branch Regular	26,485,200	41,957,300	41,957,300		20,528,300	23,792,300	3,264,000	14,878,800	15,206,100	327,300
Tobacco Settlement	42,947,500	30,664,100	30,664,100		12,305,200	39,305,200	27,000,000	9,508,700	32,508,700	23,000,000
Budget Reserve Trust	50,764,800	28,764,800	28,764,800		119,015,100	119,015,100		119,015,100	154,015,100	35,000,000
Reserve Subtotal	120,197,500	101,386,200	101,386,200		151,848,600	182,112,600	30,264,000	143,402,600	201,729,900	58,327,300
Revenue										
Consensus Revenue Estimate	7,645,046,000	8,216,200,000	8,216,200,000		8,341,200,000	8,341,200,000		8,675,700,000	8,675,700,000	
Tobacco Settlement	112,242,000	91,300,000	91,300,000		88,800,000	88,800,000		94,000,000	94,000,000	
Revenue Measures					4,430,000	4,104,000	(326,000)	(1,780,000)	(2,124,000)	(344,000)
Revenue Subtotal	7,757,288,000	8,307,500,000	8,307,500,000		8,434,430,000	8,434,104,000	(326,000)	8,767,920,000	8,767,576,000	(344,000)
Existing Fund Transfers	154,011,100	211,197,100	211,197,100							
Fund Transfers (HB 380)		59,308,700	57,719,200	(1,589,500)	104,596,800	115,813,700	11,216,900	64,869,500	72,647,500	7,778,000
Other Resources					18,474,800	74,224,300	55,749,500	42,696,000	105,622,400	62,926,400
Reconcile Resources to Controller	500									
TOTAL RESOURCES	8,280,972,100	9,148,271,400	9,146,681,900	(1,589,500)	9,237,265,700	9,324,767,400	87,501,700	9,304,128,400	9,523,943,200	219,814,800
APPROPRIATIONS										
Executive Budget (HB 380)										
Regular Operating	7,288,300,200	7,994,729,800	7,994,729,800		8,409,665,700	8,399,080,000	(10,585,700)	8,798,699,800	8,990,018,400	191,318,600
Mandated Allotments (NGE)	17,275,200	15,000,000	15,000,000							
General Fund Current Year		89,702,200	87,298,200	(2,404,000)						
Other - Dedicated Revenues		28,122,400	28,122,400							
Budget Reserve Trust / Surplus Plan	(22,000,000)	90,250,300	90,250,300			35,000,000	35,000,000		(60,000,000)	(60,000,000)
Phase I Tobacco Settlement	108,800,000	91,300,000	91,300,000		88,800,000	88,800,000		94,000,000	94,000,000	
Return of partial litigation proceeds to GOAP		27,000,000	27,000,000							
Capital	38,325,000	6,140,700	6,140,700		1,200,000	3,030,000	1,830,000	1,400,000	3,050,000	1,650,000
Executive Subtotal	7,430,700,400	8,342,245,400	8,339,841,400	(2,404,000)	8,499,665,700	8,525,910,000	26,244,300	8,894,099,800	9,027,068,400	132,968,600
Continued General Fund	(15,666,100)	14,260,400	10,996,400	(3,264,000)	4,120,700	4,997,400	876,700	3,167,600	5,554,900	2,387,300
Continued Tobacco	12,283,400	18,358,900	(8,641,100)	(27,000,000)	2,796,500	6,796,500	4,000,000	9,508,700	12,508,700	3,000,000
Continued Budget Reserve Trust	22,000,000	(90,250,300)	(90,250,300)			(35,000,000)	(35,000,000)		60,000,000	60,000,000
Total Executive	7,449,317,700	8,284,614,400	8,251,946,400	(32,668,000)	8,506,582,900	8,502,703,900	(3,879,000)	8,906,776,100	9,105,132,000	198,355,900
Legislative Budget (HB 381)										
Regular Operating	40,939,400	41,370,500	41,370,500		46,788,800	46,788,800		50,182,200	50,182,200	
Continued	(271,100)	5,040,700	5,040,700		1,528,800	1,528,800		(240,800)	(240,800)	
Total Legislative	40,668,300	46,411,200	46,411,200		48,317,600	48,317,600		49,941,400	49,941,400	
Judicial Budget (HB 382)										
Regular Operating	220,255,500	232,613,900	232,613,900		268,722,300	244,588,600	(24,133,700)	304,031,600	280,211,400	(23,820,200)
Continued	465,000	2,127,900	2,127,900			2,060,000	2,060,000		3,907,700	3,907,700
Total Judicial	220,720,500	234,741,800	234,741,800		268,722,300	246,648,600	(22,073,700)	304,031,600	284,119,100	(19,912,500)
Special Bills		428,000	10,645,200	10,217,200						
Appropriations Subtotal	7,710,706,500	8,566,195,400	8,543,744,600	(22,450,800)	8,823,622,800	8,797,670,100	(25,952,700)	9,260,749,100	9,439,192,500	178,443,400
Budget Lapse / Savings		(97,688,100)	(97,688,100)		(15,000,000)	(51,000,000)	(36,000,000)	(20,000,000)	(36,000,000)	(16,000,000)
TOTAL APPROPRIATIONS	7,710,706,500	8,468,507,300	8,446,056,500	(22,450,800)	8,808,622,800	8,746,670,100	(61,952,700)	9,240,749,100	9,403,192,500	162,443,400
BALANCE	570,265,600	679,764,100	700,625,400	20,861,300	428,642,900	578,097,300	149,454,400	63,379,300	120,750,700	57,371,400
Continued Appropriations Reserve										
Branch Regular	41,957,300	20,528,300	23,792,300	3,264,000	14,878,800	15,206,100	327,300	11,952,000	5,984,300	(5,967,700)
Tobacco Settlement	30,664,100	12,305,200	39,305,200	27,000,000	9,508,700	32,508,700	23,000,000		20,000,000	20,000,000
Budget Reserve Trust	28,764,800	119,015,100	119,015,100		119,015,100	154,015,100	35,000,000	119,015,100	94,015,100	(25,000,000)
Total Reserve	101,386,200	151,848,600	182,112,600	30,264,000	143,402,600	201,729,900	58,327,300	130,967,100	119,999,400	(10,967,700)
UNDESIGNATED BALANCE	468,879,400	527,915,500	518,512,800	(9,402,700)	285,240,300	376,367,400	91,127,100	(67,587,800)	751,300	68,339,100

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HOUSE BUDGET REPORT
2006 REGULAR SESSION OF THE GENERAL ASSEMBLY
OTHER BUDGETARY RESOURCES

	FY 2005-2006			FY 2006-2007			FY 2007-2008		
TABLE I - OTHER BUDGETARY RESOURCES	Branch	House	Difference	Branch	House	Difference	Branch	House	Difference
<u>Source</u>									
Public Service Commission Adjustment				1,224,800	1,624,800	400,000	2,006,000	2,006,000	
Revenue Collections				4,800,000	4,800,000		9,600,000	9,600,000	
Abandoned Property - Sale of Aged Securities				6,000,000	6,000,000		17,500,000	17,500,000	
Employee Choice Increased Economic Activity				6,450,000		(6,450,000)	13,590,000		(13,590,000)
Economic Development Growth Impact					6,450,000	6,450,000		13,590,000	13,590,000
Revenue Enhancement Initiative					20,349,500	20,349,500		42,926,400	42,926,400
Voluntary Assignment of Non-participating Manufacturers Escrow Funds					35,000,000	35,000,000		20,000,000	20,000,000
Total Other Budgetary Resources				18,474,800	74,224,300	55,749,500	42,696,000	105,622,400	62,926,400

	FY 2005-2006			FY 2006-2007			FY 2007-2008		
TABLE II - REVENUE MEASURES	Branch	House	Difference	Branch	House	Difference	Branch	House	Difference
<u>Source</u>									
Small Business AMC Relief				(3,170,000)	(3,170,000)		(9,680,000)	(9,680,000)	
Continuation of Revenue Measures				7,600,000	7,600,000		7,900,000	7,900,000	
Small Winery Sales Tax Exemption					(326,000)			(344,000)	
Total Revenue Measures				4,430,000	4,104,000		(1,780,000)	(2,124,000)	
TOTAL TABLES I AND II				22,904,800	78,328,300	55,749,500	40,916,000	103,498,400	62,926,400

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**HOUSE BUDGET REPORT
2006 REGULAR SESSION OF THE GENERAL ASSEMBLY
BUDGET LAPSES AND OTHER SAVINGS**

	FY 2005-2006			FY 2006-2007			FY 2007-2008		
	Branch	House	Difference	Branch	House	Difference	Branch	House	Difference
Budget Lapses									
			-			-			-
Debt Service - Finance	(40,605,400)	(40,605,400)	-			-			-
Debt Service - SFCC	(19,616,000)	(19,616,000)	-			-			-
Double budgeting of local education projects	(4,500,000)	(4,500,000)	-			-			-
Public Service Commission Lapse					(1,000,000)	(1,000,000)		(1,000,000)	(1,000,000)
Total Budget Lapse	(64,721,400)	(64,721,400)	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)	(1,000,000)
Other Savings									
General Fund Base Deductions	(32,966,700)	(32,966,700)	-			-			-
Finance Debt Service surplus bond proceed replacement			-	(15,000,000)	(15,000,000)	-			-
Efficiencies			-		(35,000,000)	(35,000,000)	(20,000,000)	(35,000,000)	(15,000,000)
Total Other Savings	(32,966,700)	(32,966,700)	-	(15,000,000)	(50,000,000)	(35,000,000)	(20,000,000)	(35,000,000)	(15,000,000)
Total Budget Lapse / Savings	(97,688,100)	(97,688,100)	-	(15,000,000)	(51,000,000)	(36,000,000)	(20,000,000)	(36,000,000)	(16,000,000)

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HOUSE BUDGET REPORT - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

A - General Government

Operating Budget

Auditor of Public Accounts

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	House Budget	Difference	Branch Budget	House Budget	Difference	Branch Budget	House Budget	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	5,834,700	5,834,700		5,829,900	6,779,900	950,000	5,828,300	6,778,300	950,000
Restricted Funds	3,818,000	3,818,000		3,297,500	3,297,500		3,297,500	3,297,500	
Regular Total Funds	9,652,700	9,652,700		9,127,400	10,077,400	950,000	9,125,800	10,075,800	950,000
Use of Continuing									
TOTAL FUNDS	9,652,700	9,652,700		9,127,400	10,077,400	950,000	9,125,800	10,075,800	950,000
II. EXPENDITURE CATEGORY									
Personnel Costs	8,867,000	8,867,000		8,424,800	9,374,800	950,000	8,423,200	9,373,200	950,000
Operating Expenses	785,700	785,700		702,600	702,600		702,600	702,600	
TOTAL EXPENDITURES	9,652,700	9,652,700		9,127,400	10,077,400	950,000	9,125,800	10,075,800	950,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	5,834,700	5,834,700		5,829,900	5,829,900		5,828,300	5,828,300	
Restricted Funds	3,818,000	3,818,000		3,297,500	3,297,500		3,297,500	3,297,500	
Regular Total Funds	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	
Use of Continuing									
TOTAL BASE LEVEL	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund					950,000	950,000		950,000	950,000
TOTAL ADDITIONAL					950,000	950,000		950,000	950,000
V. ADDITIONAL BUDGET ITEMS									
1	CONT	Auditor of Public Accounts							
ABR0450013 Provide funding to support 12 vacant positions.									
General Fund					400,000	400,000	550,000		550,000
Project Total					400,000	400,000	550,000		550,000
2	CONT	Auditor of Public Accounts							
ABR0450005 Provide funding to cover expenditures of transferring from a 37.5 hour work week to a 40 hour work week.									
General Fund					300,000	300,000	150,000		150,000
Project Total					300,000	300,000	150,000		150,000
3	CONT	Auditor of Public Account							
ABR0450014 Provide funding to support salary equity for merit status auditors.									
General Fund					250,000	250,000	250,000		250,000
Project Total					250,000	250,000	250,000		250,000

HOUSE BUDGET REPORT - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

A - General Government

Operating Budget

Auditor of Public Accounts

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	House Budget	Difference	Branch Budget	House Budget	Difference	Branch Budget	House Budget	Difference
TOTAL ADDITIONAL					950,000	950,000		950,000	950,000

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Auditor of Public Accounts

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Auditor's Scholarships: Notwithstanding KRS 43.200, no funding is provided for Auditor's scholarships."

"Audit Services Contracts: No state agency shall enter into any contract with a nongovernmental entity for an audit unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within 30 days of receipt of a written request. The agency requesting the audit shall furnish the Auditor of Public Accounts a comprehensive statement of the scope and nature of the proposed audit."

"Audit Records and Status Reports: The Auditor of Public Accounts shall report in writing each 60 days to the Interim Joint Committee on Appropriations and Revenue the progress of all state audits, together with copies of all completed audits. The Auditor of Public Accounts shall maintain a record of all time and expenses for each audit or investigation."

"Charges for Federal, State, and Local Audits: Any additional expense incurred by the Auditor of Public Accounts for auditing Federal Funds, when the audits are mandated by a cognizant federal audit agency, shall be charged to the audited agency when the costs may be charged against Federal Funds. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operation of the office. The Auditor of Public Accounts shall maintain a record of all costs and expenditures associated with this provision.

Each quarter, the Auditor of Public Accounts shall notify the Finance and Administration Cabinet concerning the collection status of the fees charged for county audits. If a county government is delinquent in its payment to the Auditor of Public Accounts, the Finance and Administration Cabinet shall withhold any moneys due that county government for the term of 120 days or until the Auditor of

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Auditor of Public Accounts

Public Accounts has received full payment from the county. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operations of the office.

The "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996" (OMB Circular No. A-133) have changed the method by which federal moneys to state agencies are audited. As a result of this federal change, the Auditor of Public Accounts is budgeted to receive additional Agency Receipts which shall be allotted by the Governor's Office for Policy and Management for programs authorized in the enacted budget for the Auditor of Public Accounts by the 2006 General Assembly, subject to the conditions and procedures provided in this Act.

Any expenses incurred by the Auditor of Public Accounts for auditing a state or local government agency or other entity upon its request, or for performing an audit required by statute unless the audit is required by those standards governing the audit of the Commonwealth's Comprehensive Financial Report or the provisions contained in the "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996," shall be charged to the agency or entity audited.

Any expense incurred by the Auditor of Public Accounts for auditing individual governmental entities shall be charged to the agency receiving audit services when expenses are mutually agreed upon or when a legislatively mandated study by the Auditor of Public Accounts has determined the need for the audit."

HOUSE REPORT

The House concurs with the Branch with the following changes:

The House provides an additional \$950,000 in General Fund in each fiscal year to support twelve (12) vacant positions, transitioning from a thirty-seven and one-half (37.5) hour to a forty (40) hour work week, and to support salary equity for merit status auditors.

The House amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Restitution of Outstanding Bills: The Personnel Cabinet shall make full restitution of \$43,700 representing outstanding billed fees owed to the Auditor of Public Accounts for fiscal year 2005-2006. All agencies shall make full restitution of billed fees owed to the Auditor of Public Accounts for fiscal year 2006-2007 and fiscal year 2007-2008. If an agency does not have sufficient funds to make full restitution, the outstanding balances shall be deemed a necessary government expense and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705) to the credit of the Auditor of Public

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Auditor of Public Accounts

Accounts in the year that the payment is due. Notwithstanding KRS 45.229, these funds paid to the Auditor of Public Accounts shall not lapse."

"State Agency Billing: The Secretary of the Finance and Administration Cabinet shall direct any state agency, as enumerated in KRS 12.020, to reimburse costs incurred by the Auditor of Public Accounts to perform such financial audits as the Auditor deems necessary under KRS 43.050(2)(a). Notwithstanding KRS 43.070(5) and 48.500, reimbursements due the Auditor of Public Accounts shall not be reduced or waived."

"Compensatory Leave Conversion to Sick Leave: If the Auditor of Public Accounts determines that internal budgetary pressures warrant further austerity measures, the State Auditor may institute a policy to suspend payment of 50 hour blocks of compensatory time for those auditors who have accumulated 240 hours of compensatory time and instead to convert those hours to sick leave."

"Auditor Salary Equity: Included in the above General Fund appropriation are funds to provide an increase to each merit classified auditor within the Auditor of Public Accounts office to be added to the eligible employee's base salary effective July 1, 2006. The Secretary of the Personnel Cabinet shall take such action to develop a revised classification and salary compensation schedule to implement this provision in consultation with the Auditor of Public Accounts to be effective by July 1, 2006. This salary increase shall be in addition to any salary increase provided to state employees included in this Act."

"Use for Funding Increases: The above appropriation includes \$950,000 of increased funding for each year of the biennium. These funds shall be used only for salaries for auditors, and to provide a 40 hour work week for auditors."

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